Supreme Court, U.S.
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No.

In The
Supreme Court of the United States
October Term, 1994

FERAG AG,

Petitioner,

v.

QUIPP INCORPORATED,

Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

This petition presents the following questions:

1. Does not the decision of the Federal Circuit, in its failure to accept a critical fact finding of the lower court regarding the control of a U.S. subsidiary corporation by its parent Swiss corporation, conflict directly with the pronouncements of this Court in *Anderson v. Bessemer City, N.C.*, 470 U.S. 564 (1985), when the lower court's finding was supported by oral testimony and documentary evidence which the Federal Circuit ignored in its decision?

2. Does not the decision of the Federal Circuit, in its failure to accept a critical fact finding of the lower court regarding the belief of a customer as to what conveyor device the customer had purchased, also conflict directly with the pronouncements of this Court in *Anderson*, 470 U.S. 564 (1985), when the lower court's finding was supported by oral testimony and documentary evidence which the Federal Circuit ignored in its decision?

3. Should not the Federal Circuit's subjective "policy balancing" standard for determining whether an invention has been placed "on sale" before the 35 U.S.C. § 102(b) bar date be modified to incorporate an objective test which would produce predictable results, when the existing standard has fostered inconsistent decisions, the unconstitutional deprivation of patent rights and, in the present case, a clear violation of F. R. Civ. P. 52(a)?

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RULE 29.1 STATEMENT

Petitioner, Ferag AG, is a private corporation of Switzerland which is wholly owned by Ferag Holding AG, also a private corporation of Switzerland. Ferag Holding AG is, in turn, wholly owned by Walter Reist Holding AG, another private corporation of Switzerland.

IN THE SUPREME COURT OF THE UNITED STATES

FERAG AG,

Petitioner

vs.

QUIPP INCORPORATED,

Respondent

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioner respectfully prays for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in its cause No. 94-1048. The judgment was entered January 24, 1995. Rehearing was denied on March 2, 1995.

OPINIONS BELOW

The opinion of the Court of Appeals has been reported at 45 F.3d 1562 and is reprinted in the Appendix to this petition commencing at page A4. The opinion of the

District Court is unreported and is reprinted in the Appendix commencing at page A21.

JURISDICTION

The judgment which this Court is asked to review was entered on January 24, 1995. Rehearing was denied on March 2, 1995. This Court has jurisdiction pursuant to 28 U.S.C. Section 1254(1).

THE CONSTITUTIONAL PROVISIONS, STATUTES AND RULES INVOLVED

U.S. Constitution, Amendment V

"No person shall . . . be deprived of life, liberty or property, without due process of law. . . ."

35 U.S.C. Section 102(b)

A person shall be entitled to a patent unless -

* * *

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States...

Federal Rule 52(a) of Civil Procedure

Effect. In all actions tried upon the facts without a jury or with an adversary jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgement shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. It will be sufficient if the findings of fact and conclusions of law are stated orally and recorded in open court following the close of the evidence or appear in an opinion or memorandum of decision filed by the court. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rule 12 or 56 or any other motion except as provided in subdivision (c) of this rule.

STATEMENT OF THE CASE

This proceeding was commenced in the United States District Court for the Southern District of Florida on a Complaint by Ferag AG, a corporation of Switzerland. The complaint named Quipp Incorporated (Quipp), a U.S. corporation, as the defendant, and prayed for judgment that Ferag AG's U.S. Patent No. 4,381,056 (the Ferag patent) was infringed by Quipp's manufacture and sale of certain conveyor devices for newspapers.

Responding to the complaint, Quipp contended that the Ferag patent was invalid because the conveyor device claimed in the patent had allegedly been "on sale" in the U.S. prior to January 15, 1980, and, consequently, Ferag AG was barred from obtaining a valid patent under 35 U.S.C. § 102(b). The District Court held that the Ferag patent was not invalid because Quipp had not established that the gripper conveyor device which Ferag claimed as an invention was "on sale" in the U.S. prior to that statutory bar date.

The Federal Circuit panel reversed the District Court. The panel held that the patented device had been "on sale" in the U.S. in 1979 and, therefore, was invalid under 35 U.S.C. § 102(b). To do so, the panel ignored findings of fact crucial to the issue which the District Court had made based on all the evidence before it, and selected pieces of that evidence to fashion its own findings.

Ferag AG manufactures and sells newspaper handling equipment, including different models of gripper

conveyor devices for newspapers. A model which it sold in the U.S. and Europe in 1979 is referred to as the EP-SCC (EP-TTR in Europe) gripper conveyor. Another model, which it first sold in the U.S. in March, 1980, is referred to as the EPI-EPII gripper conveyor.

The EPI-EPII gripper conveyor device contained the features patented in the Ferag patent. The EP-SCC, which performed the same functions as the EPI-EPII, was not covered by the Ferag patent.

Quipp contended that the Ferag Patent was invalid under 35 U.S.C. §102(b) because an order for the patented EPI-EPII conveyor device was made by Ferag, Inc. to Ferag, AG prior to January 15, 1980. Quipp contended that Ferag AG and Ferag, Inc. were separate entities and, therefore, Ferag AG had effectively offered the patented equipment to the public by offering to sell it to Ferag, Inc. Ferag AG, on the other hand, contended that it controlled Ferag, Inc. and what Ferag, Inc. could do with the patented conveyor device, and that it had not relinquished control of the device to the public when it accepted an order for the EPI-EPII from Ferag, Inc. in November, 1979.

Quipp also contended that an Agreement of March 13, 1979, between Ferag AG, Ferag, Inc. and the Bergen Evening Record (Bergen) newspaper independently offered the patented EPI-EPII conveyor device for sale to Bergen. Ferag AG contended that the conveyor device which was offered to Bergen at the time was the EP-SCC conveyor, and it was this device which Bergen understood that it was buying.

The District Court found that neither of these transactions (Ferag AG to Ferag Inc., or Ferag, Inc. to Bergen) amounted to Ferag AG placing the patented conveyor device on sale to the public. The District Court found that Ferag AG controlled Ferag, Inc. and, therefore, the two were not separate entities for purposes of 35 U.S.C. § 102(b). The District Court further found that the conveyor device for which Bergen understood it was contracting was the old EP-SCC. The District Court found that the documents introduced by Quipp to prove the contrary in both cases were inconclusive in light of all of the evidence, including oral testimony, and that Quipp had not met its burden of establishing, by clear and convincing evidence, that Ferag AG had sold or offered to sell devices embodying the invention of the Ferag Patent to the public in the U.S. prior to January 15, 1980.

The Federal Circuit panel rejected the District Court's findings. The panel made its own finding that Ferag AG did not control Ferag, Inc. because, the panel said, there was an even split in outstanding shares of Ferag, Inc. stock between a Robert Smallacombe and Ferag AG's owners, and this showed shared control. According to the panel, shared control was also evidenced by a Shareholder's Agreement and an Operations Agreement between Smallacombe and Ferag AG. The Federal Circuit panel also made its own finding that Bergen had not contracted to buy the old EP-SCC conveyor device but, rather, had merely contracted to buy a conveyor device and, thus, had no contractual right to receive the old EP-SCC device.

The Federal Circuit panel reversed the District Court, even though both the question of whether Ferag AG controlled Ferag, Inc., and the question of what Bergen contracted to buy, were questions of fact which, having been answered by the District Court's findings, could be reversed only if found to be clearly erroneous. Fed. R. Civ. P. 52(a), *Anderson*, 470 U.S. at 573 (1985), *Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1375, 231 USPQ 81, 87 (Fed. Cir. 1986), *cert. denied*, 480 U.S. 947 (1987). Furthermore, the Federal Circuit panel reversed the District Court even though resolution of each of these fact issues, according to the Federal Circuit, had to be based on the totality of circumstances and evidence standard set forth in *Envirotech Corp. v. Westech Engineering Inc.*, 904 F.2d 1571, 1574 (Fed. Cir. 1990). The controlling precedent of the Federal Circuit requires all of the evidence relevant to this issue to be considered. The District Court did that. The Federal Circuit panel did not.

The function of the Federal Circuit is not to review the evidence, but to review a District Court's rulings. According to this Court, except on pure questions of law the Federal Circuit is obligated to defer to the District Court's findings. *Anderson*, 470 U.S. at 574. In the present case, the Federal Circuit panel substituted its own judgment for that of the District Court, based solely on certain inconclusive documentary evidence, while ignoring both oral evidence which the district court found to be critical and other documentary evidence.

On the issue of control of Ferag, Inc. by Ferag AG, the District Court heard testimony about how the terms of both a Shareholders Agreement and an Operations Agreement were actually implemented. The District Court also reviewed and weighed the documentary evidence, including that which the Federal Circuit panel considered to be dispositive, and found that the documentary evidence alone was inconclusive. Furthermore, the District Court heard oral testimony about the actual managerial control which Ferag AG exercised over Ferag, Inc.'s operations.

The oral testimony which the District Court heard on the subject of control included that of Robert Smallacombe, the former president of Ferag, Inc., who was then a director of Quipp. (A55). It also heard the deposition testimony of Walter Hatt, a vice-president of Ferag AG who was working at Ferag, Inc. in 1978-1980. (A51). According to Smallacombe, it was Hatt who made technical proposals to customers. (A55).

The documentary evidence which the District Court saw was the terms of the Operations and Shareholders Agreements. (A60). It also saw an opinion which Smallacombe received from his lawyer when he was trying to gain control of Ferag, Inc. The opinion advised him that Ferag AG was the "controlling shareholder," to wit:

> ...the company has a cause of action against A.G., a 50% shareholder of the company, for self-dealing and breach of the fiduciary duty which a controlling shareholder (*de facto* by reason of A.G.'s position as a supplier of crucial systems) owes to his corporation.

Considering both oral and documentary evidence, the District Court found that Quipp had not met its burden of proving that Ferag AG had lost control of its invention when it agreed, in November, 1979, to deliver an EPI-EPII conveyer to Ferag, Inc. sometime after January 15, 1980. Under these circumstances, the Federal Circuit panel was not free to reverse the district court's finding, even if it was convinced that it would have weighed the evidence differently had it been sitting as the trier of fact. *Anderson*, 570 U.S. at 574 (citing *United States v. Yellow Cab Co.*, 338 U.S. 338, 342 (1949)). Nevertheless, the panel did reverse the District Court on this finding.

On the issue of whether Bergen knew what it was buying in the way of a conveyor device in the Federal Circuit panel again ignored the District Court findings. The panel found that documents related to the sale of a newspaper conveyor device to Bergen told "nothing about what Ferag offered to Bergen." In reaching this conclusion the panel relied on certain documentary evidence, i.e., the March 13, 1979, Agreement between Ferag AG, Bergen, and Ferag, Inc., and a November, 1979, order confirmation from Ferag AG to Ferag, Inc. From these documents the panel found that by November, 1979, Ferag AG had decided to supply Bergen with the EPI-EPII conveyor device and that Bergen had no contractual basis for expecting the EP-SCC device.

The District Court, on the other hand, had found that the documents which the Federal Circuit rested its entire decision upon were inconclusive. The District Court found that

Bergen ordered the old EP-SCC device, not the patented device, based upon oral testimony and other documentary evidence. (A46-A47). It found that proposal drawings made for Bergen, at the time the March Agreement was signed, showed the old EP-SCC system. (A47). It found that the conveyor system which Bergen was shown before an agreement was entered into was the old system. (A47). It found the Ferag, Inc. promotional literature at the time showed the old system. (A47). The Federal Circuit panel simply ignored these findings of the District Court on the relevant testimony and documentary evidence, i.e., it did not even dispute them.

The Federal Circuit panel acknowledged that its controlling precedent on the subject of what the customer thought he was buying is *Envirotech Corp.*, 904 F.2d at 1571. The panel distinguished the *Envirotech* facts from those of the present case, however, stating that whereas the customer in *Envirotech* knew from the Agreement itself exactly what it had contracted for, the customer (Bergen) in the present case did not.

The evidence clearly supports the District Court's finding that Bergen did know that the conveyor device it could expect to receive under the Agreement was the old EP-SCC system, however. Smallacombe testified that a "proposal drawing...is something that was brought to the client, usually prior to his awarding us the contract. It was a proposed system." (A55). The Proposal Drawing which was presented to Bergen at the time of the Agreements is dated March 23, 1979. (A59). According to the oral testimony of the draftsman

who prepared it, Frank Marczak, it shows the old EP-SCC system. (A54). According to Smallacombe, Ferag customers were shown literature which showed the old EP-SCC system. (A55-A56). Bergen representatives were taken to Europe prior to entering into the agreements and shown the EP-SCC system, according to Walter Hatt. (A52). The Bergen Agreement of March 13, 1979, refers to a "print" which showed what system it was getting, (A57), and the only conveyer system drawings then in existence showed the EP-SCC.

Based on the totality of the evidence, the District Court found that Ferag had offered, and Bergen had contracted for, the old EP-SCC gripper conveyor system and not the patented invention. The Federal Circuit panel had to show this finding to be clearly erroneous to justify reversal of the District Court's judgment. Rather than doing so, the Federal Circuit panel simply ignored the finding.

The Federal Circuit panel also concluded that the District Court had used an incorrect legal standard as a framework for its findings on this issue, a legal standard which asked what Ferag "intended" to offer to determine what was offered to Bergen. The panel said that the standard is what was actually offered, not what the patentee intended to offer. This was another reason for reversing, according to the panel.

The Federal Circuit panel did not acknowledge that the District Court would have had to reach the same conclusion that it did reach, regardless of which legal test was used, if all documentary and oral testimony evidence in the record were considered. Whether the measure is what the patentee intended

to sell, or what the buyer thought it was purchasing, the result would have to be the same because the District Court found that Bergen had contracted to purchase an EP-SCC conveyor device. With no explanation, the panel concluded otherwise.

What propelled the Federal Circuit panel to this conclusion? Petitioner submits it was the panel's ad hoc application of its subjective "policy balancing" standard; ad hoc in the sense that the "policy balancing" standard permits each panel to subjectively decide whether or not the facts of a certain case warrant an "on sale" conclusion, depending upon how the facts of the case before it strike that particular panel. This panel apparently had a subjective feeling that Ferag AG had violated an important policy consideration, the policy of preventing an inventor from commercially exploiting his or her invention with the public more than one year before filing a patent application, so the panel applied its catch-all "totality of the circumstances" rationale and made a legal determination that the EPI-EPII had been "on sale" in the U.S. prior to January 15, 1980. In order to satisfy its subjective view of Ferag AG's activities, it simply ignored the District Court's findings and deprived Ferag AG of valuable patent rights. In doing so it denied Ferag AG those valuable rights without due process.

REASONS FOR GRANTING THE WRIT

I. THE FEDERAL CIRCUIT DID NOT FOLLOW RULE 52(A)

This Court should issue a writ of certiorari because the reversal of the District Court by the Federal Circuit panel in this case is grounded in a total disregard for the requirements of Rule 52(a). The Federal Circuit panel's decision does not even refer to rule 52(a), nor does it refer to this Court's ruling in *Anderson*. Thus, in overturning the fact findings of the District Court regarding control of Ferag, Inc and the subject matter of the Bergen transaction, there was no recognition by the Federal Circuit of its obligation to accept fact findings based on competent evidence.

II. THE FEDERAL CIRCUIT'S CURRENT "POLICY BALANCING" APPROACH TO ADJUDICATING SECTION 102(b) DISPUTES, IN PERMITTING ARBITRARY AND UNPREDICTABLE APPLICATION OF THE "ON SALE" BAR, SHOULD BE MODIFIED TO INCORPORATE A MORE OBJECTIVE, RULE-BASED STANDARD

Section 102(b), which is in the nature of a statute of limitations, is intended to balance the interest of public access to technologies which have been placed in the public domain and are, consequently, believed to be freely available, with the long-term interest of encouraging invention. Like any statute of limitations, the events which initiate the running of the "on sale"

bar period should be predictable so that they afford patentees the certainty which due process requires. However, the Federal Circuit's subjective and arbitrary "policy balancing" approach to section 102(b) adjudication promotes inconsistency in decision-making and ultimately results in the unconstitutional denial of patentees' valuable property rights. A more objective, "bright-line" standard should be used, a standard which would obviate the deficiencies inherent in the current approach.

A. The Federal Circuit's "Policy Balancing" Approach to Section 102(b) Adjudications Promotes Inconsistency in Decision-Making

For an "on sale" bar to apply under section 102(b), the device must have been operable at the time of the alleged offer for sale, the complete invention claimed must have been embodied in, or obvious in view of, the device offered for sale, and the sale or offer must have been primarily for profit rather than experimental purposes. *Keystone Retaining Wall Systems v. Westrock, Inc.*, 997 F.2d 1444, 1451 (Fed. Cir. 1993). Beyond these general guidelines, however, the Federal Circuit has eschewed the use of clear rules in determining whether an invention has been placed "on sale." *UMC Electronics Co. v. U.S.*, 816 F.2d 647, 656 (Fed. Cir. 1987). Rather, it has based its analysis on a "policy balancing" formula. *Id.* "[W]e must consider how the totality of the circumstances comports with the policies underlying the on sale and public use bars...because the policies or purposes underlying the on sale bar, in effect, define it." *Manville Sales*

Corp. v. Paramount Systems, Inc., 917 F.2d 544, 549 (Fed. Cir. 1990).

The legislative history of section 102(b) reveals that the one-year "on sale" bar represented a Congressional attempt to balance the interest of free public access to information about new technologies with the long term interest of encouraging innovation through the protection of inventors. *See* S. Rep. No. 876, 76th Cong., 1st Sess. 1-2 (1939). Accordingly, the Federal Circuit adopted guiding policies behind section 102(b) adjudications, policies articulated in *Envirotech Corp.*, 904 F.2d at 1574; to wit:

> (1) discouraging removal of inventions from the public domain that the public reasonably has come to believe are freely available; (2) favoring the prompt and widespread disclosure of inventions; (3) allowing the inventor a reasonable amount of time following sales activity to determine the potential economic value of a patent; and (4) prohibiting the inventor from commercially exploiting his invention beyond the statutorily prescribed time.

Because placing a product "on sale" inherently involves business activities, the policy against commercial exploitation prior to the critical date is a threshold consideration in applying section 102(b). Rooklidge & von Hoffmann, *Reduction to Practice, Experimental Use, and the On-Sale and Public Use Bars to Patentability*, 63 St. John's L. Rev. 1, 45 (1988). Conduct implicating either the policy against public reliance on an invention's availability or the policy which

encourages early disclosure may also warrant invocation of the "on sale" bar. S. Schaefer, *Envirotech Corp. v. Westech Engineering, Inc.: The On-Sale Bar to Patentability and Executory Sales Offers*, 75 Minn. L. Rev. 1505, 1508 (1991). However, each individual policy, by itself, does not justify its application. *Id.*

In contrast to the Federal Circuit's current policy focus on preventing commercial exploitation, the pervasive historic concern has been that of discouraging the removal of inventions from the marketplace with which the public has become familiar. Indeed, courts had permitted commercial exploitation abroad even before Congress added the requirement that the placing "on sale" specifically be in the United States. *Gandy v. Main Belting Company*, 143 U.S. 587, 592-593 (1891). Hence, the Federal Circuit's contemporary, one-dimensional "balancing" approach, emerges as being inconsistent with the earliest policy concern.

Once a patent has been issued, there is not only a statutory presumption of validity under 35 U.S.C. § 282, but one seeking to prove invalidity must do so by clear and convincing evidence. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1360 (Fed. Cir. 1984). Furthermore, "[t]he [102(b)] provision ought to be construed favorably to patentees." *Burke Electric Co. v. Independent Pneumatic Tool Co.*, 234 F. 93 (2d Cir. 1916). The case at bar, however, demonstrates that the Federal Circuit exercises no deference to these principles in section 102(b) decision-making using the "policy balancing" framework. Even though the Federal Circuit

panel concluded that the Bergen sales contract did not specify the patented grippers and that Bergen was, therefore, ignorant of their prospective receipt, that Ferag AG had not even begun development of the new gripper conveyer design at the time of the Bergen contract, and that Ferag AG's existing gripper conveyer satisfied all of the functional requirements of the parties' agreement, the panel found Ferag AG to have placed the claimed device "on sale" prior to the critical date. (A17). In doing so, the panel distinguished the Ferag-Bergen transaction from the transaction in *Envirotech*, a case in which the section 102(b) bar was judged to be inapplicable, stating that the Ferag sales contract did not identify which grippers - either the new or old design - that Bergen was to receive, while the contract in *Envirotech* specified the prior art. (A17).

But the Federal Circuit panel has misread its own precedent in an eagerness to overturn the District Court here. Unlike Ferag, the inventor in *Envirotech* had clearly exploited its patented design. Envirotech Corp., a designer and seller of ballasted digester covers for use in municipal wastewater treatment plants, bid on a construction project, offering an old, prior art digester cover, for $205,000. *Envirotech*, 904 F.2d at 1573. The general contractor, rather than accepting any proposals, scheduled a re-bid. *Id.* In the meantime, Envirotech Corp. developed a new, less expensive, patented hydroballester design and, admittedly intending to supply the new invention, submitted its second offer for the lower price of $134,000, while still specifying the prior art cover therein. *Id.* Based on the second proposal, the general contractor accepted Envirotech

Corp.'s low bid. *Id.* In contrast, Ferag AG did not secure the Bergen sale based upon the patented gripper design, it secured the sale based on the old design which met the contract's performance requirements.

Clearly, the Federal Circuit panel, having effectively addressed only one of the four policies, made an ad hoc decision which is both irreconcilable with precedent and unlikely to provide guidance in future section 102(b) adjudications. Predisposed to find that Ferag AG had placed the EPI-EPII grippers "on sale" prior to the critical date, the panel relied on its "totality of the circumstances" catch-all to justify its conclusion. The conclusion emphasizes the policy balancing standard's inherent flaw - that without objective bases upon which to scrutinize Federal Circuit decisions, "on sale" questions can only be answered with finality by a judicial determination in which there is no final appeal. *UMC Electronics Co.*, 816 F.2d at 664.

Not surprisingly, numerous prior Federal Circuit decisions under section 102(b) are also plagued with confusion and inconsistency. *TP Laboratories, Inc. v. Professional Positioners, Inc.*, 724 F.2d 965, 968 (Fed. Cir. 1984). Ironically, this result runs counter to the very object of the Federal Courts Improvement Act of 1982, i.e., the promotion of predictability, uniformity, and the efficient administration of patent law. *See* S. Rep. No. 275, 97th Cong., 1st Sess. 1, *reprinted in* 1982 U.S. Code Cong. & Admin. News 11, 12-13.

The "policy-balancing" approach to statutory bar analysis also disregards this Court's decree in *Moragne v. States*

Marine Lines, Inc., 398 U.S. 375, 403 (1969). In that case, this Court extolled the virtues of stability and predictability in law: "[T]he law [should] furnish a clear guide for the conduct of individuals, enable them to plan their affairs with assurance against untoward surprise;...[and] further[] fair and expeditious adjudication by eliminating the need to re-litigate every relevant proposition in every case."

B. The Failure of the "Policy Balancing" Approach to Clearly Notify Inventors as to the Acts Which Will Invoke the "On Sale" Bar Results in an Unconstitutional Deprivation of Valuable Property Rights

As previously pointed out, section 102(b) is in the nature of a statute of limitations. It was enacted to implement the policy that those who seek the benefits of a patent grant must act promptly after the invention has been placed in possession of the public. *UMC Electronics Co.*, 816 F.2d at 659. As a general proposition, the invocation of a statutory bar must be reasonably clear at all times. *Id.* Accordingly, the history of section 102(b) reveals judicial and congressional recognition of the necessity for reasonable certainty. For example, in *Andrews v. Hovey*, 123 U.S. 267, 274 (1887), this Court recognized that "[t]he evident purpose of [section 102(b)'s predecessor] was to fix a period of limitation which should be certain." The Federal Circuit's application of the 102(b) "on-sale" provision disregards this fundamental legal principle.

Regarding statutes of limitation, "[they] sometimes expire before a claimant...knows he has sustained an injury...If the limitation is otherwise reasonable, a claimant is not thereby deprived of his right to due process." *Ciccarelli v. Carey Canadian Mines, Ltd.*, 757 F.2d 548, 555 (1985). However, if the purpose of an Act is economic, limitations arising therefrom are unconstitutional if they are irrational and arbitrary. *Wayne v. Tennessee Valley Authority*, 730 F.2d 392, 403 (1984). The "on sale" bar, with its origin in the English statute of monopolies, *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 12 (1829), undoubtedly meets this exception's criterion. While there is no absolute and unlimited constitutional right of access to courts, the interest in a patent, guaranteed by Art. 1, sec. 8, cl. 8 of the U.S. Constitution, is "more clear than that which a man can assert in almost any kind of property." E.B. Lipscomb, Walker on Patents § 1:9, at 58-59 (3d ed. 1984). Hence, the "policy balancing" standard for section 102(b) analysis, in failing to adequately inform inventors as to when the "on sale" bar period begins, results in an unconstitutional deprivation of property rights.

C. The Federal Circuit's "Policy Balancing" Approach Should be Modified to Provide for a More Bright-Line Determination as to When an "On Sale" Bar is Invoked

Since it is a sale or an offer for sale which invokes the "on sale" bar, the law of contracts provides guidance in formulating an objective, "bright-line" approach to section

102(b) adjudications. As a fundamental rule of contract law, to be legally operative and create a power of acceptance, an offer must contain all the terms of the subsequent contract. J. Perillo, Corbin on Contracts § 1.1-4.14, p. 31 (1993). Furthermore, it is essential to every agreement that the parties to it should have consented to the same subject matter in the same sense. 17 C.J.S. *Contracts* § 144 (1963). Hence, where one person offers and the other person accepts, but the persons have different things in mind, there can be no agreement. *Id.* "The fact that one or more terms of a proposed bargain are left open or uncertain may show that a manifestation of intention is not intended to be understood as an offer or an acceptance." Restatement (Second) of Contracts § 33(b) (1979).

An objective restriction on applying the "policy balancing" approach may be distilled from contract law principles. Simply stated, before section 102(b) applies the purchaser should know, or have a reasonable belief, that the product he or she has been offered, or to which he or she has assented to purchase is, in fact, the patented device. This approach would not only be consistent with the legal axioms upon which section 102(b) is based but, also, in providing potential patentees with a predictable event to trigger the "on sale" statutory period, would bring objectivity and consistency to an area of law currently laden with confusion, and eliminate the potential for an unconstitutional deprivation of valuable property rights.

CONCLUSION

The decision of the Federal Circuit violates Rule 52(a) and should not be permitted to stand. Furthermore, the "policy balancing" standard utilized by the Federal Circuit to arrive at its decision violates § 102(b) and that decision should not be permitted to stand. By granting this Petition, this error can be corrected and the Federal Circuit directed to apply an objective, more predictable standard for measuring when the "on sale" bar period of section 102(b) begins.

Respectfully submitted,

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